

## Message Text

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PAGE 01 LONDON 01325 01 OF 02 271746Z

43

ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

COME-00 EB-07 LAB-04 SIL-01 /071 W

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R 271737Z JAN 76

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 8460

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LUXEMBOURG

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LIMITED OFFICIAL USE SECTION 01 OF 02 LONDON 01325

E.O. 11652: N/A

TAGS: OGOV, PINT, ELAB, UK

SUBJECT: PARLIAMENTARY POLITICS OF UNEMPLOYMENT

REF: (A) LONDON 1191; (B) LONDON 1046

SUMMARY - POLITICAL PRESSURES ON GOVERNMENT TO STEM RISING UNEMOLOYMENT ARE MANIFEST IN PARLIAMENT AS WELL AS IN TUC. GOVEPNMENT HAS ELECTED TO CONFRONT ITS CRITICS IN FULL SCALE DEBATE JANUARY 29. DECISION TO FORCE ISSUE AT THIS TIME UAS NO DOUBT DICTATED, AT LEAST IN PART, BY

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PAGE 02 LONDON 01325 01 OF 02 271746Z

STRUCTURE OF UNEMPLOYMENT BENEFITS WHICH SUGGESTS PRES-

SURES FOR GOVERNMENT ACTION ARE LIKELY TO GROW. WHILE OUTCOME OF PROCEDURAL VOTE AT CONCLUSION OF DEBATE IS PROBLEMATICAL, WE DO NOT CONSIDER IT A SERIOUS THREAT TO GOVERNMENT STABILITY. END SUMMARY.

1. STEADILY RISING UNEMPLOYMENT FIGURES HAVE TRIGGERED UNREST AMONG TUC LEADERS (REF A), PARLIAMENTARY OPPOSITION AND LABOR BACKBENCHERS. FACED WITH THESE PRESSURES AND HOPING TO DISARM INCREASINGLY CRITICAL LEFT-WING OF PARLIAMENTARY LABOR PARTY (PLP), GOVERNMENT HAS SCHEDULED MAJOR DEBATEON UNEMPLOYMENT SITUATION FOR JANUARY 29. GOVERNMENT IS ALSO REPORTEDLY CONSIDERING OTHER MEASURES TO ALLEVIATE SITUATION (E.G.. ADVANCING FINANCE BILL. NORMALLY INTRODUCED IN APRIL, TO MARCH -- SEE SEPTEL FOR GOVERNMENT'S PESPONSE TO TUC).

2. PLP BACKBENCHERS OF ALL PERSUASIONS WITH WHOM WE HAVE SPOKEN HAVE REVEALED GROWING CONCERN ABOUT UNEMPLOYMENT SITUATION (REF B). MODERATES AND RIGHT-WINGERS STRONGLY SUPPORT GOVERNMENT'S ECONOMIC POLICIES, BUT BELIEVE STRUCTURE OF UNEMPLOYMENT BENEFITS ENSURES GOVERNMENT WILL COME UNDER INTENSIFYING PRESSURE AS YEAR PASSES. WORKERS LOSING JOBS RECEIVE LUMP SUM REDUNDANCY PAYMENTS (UP TO 2,400 POUNDS), PLUS REGULAR UNEMPLOYMENT INSURANCE (MAXIMUM DURATION 10 MONTHS) AND EARNINGS RELATED TO BENEFITS (MAXIMUM DURATION SIX MONTHS), SO SOCIAL AND FINANCIAL HARDSHIP IS CUSHIONED. BEYOND SIX MONTHS, HOWEVER, BENEDITS FALL OFF SLIGHTLY AND AFTER TEN MONTHS VERY SHARPLY AS UNEMPLOYED THEN RECEIVE ONLY NORMAL WELFARE BENEFITS AND, IF ENTITLED, TAX AND OTHER REBATES (ASSUMING WORKER IS NOT EMPLOYED DURING PERIOD). THE PINCH BEGINS AT THIS POINT. BACKBENCHERS BELIEVE UNREST AMONG UNEMPLOYED WILL RISE DRAMATICALLY, WITH CONCOMITANT PRESSURE ON UNION LEADERSHIP, AS EARNINGS-RELATED BENEFITS ARE EXHAUSTED FOR MORE AND MORE WORKERS.

3. PLP LEFT-WINGERS, WHOSE REACTION TO MOUNTING UNEMPLOYMENT IS MORE VISCERAL, PERCEIVE LACK OF GOVERNMENT CON-

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PAGE 03 LONDON 01325 01 OF 02 271746Z

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PAGE 01 LONDON 01325 02 OF 02 271749Z

43

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LIMITED OFFICIAL USE SECTION 02 OF 02 LONDON 01325

CERN OVER FATE OF UNEMPLOYED. PRESS HAS REPORTED AS  
MANY AS TWENTY MEMBERS OF TRIBUNE GROUP HAVE THREATENED  
TO VOTE AGAINST GOVERNMENT OR ABSTAIN ON PROCEDURAL VOTE  
AT CONCLUSION OF JANUARY 29 DEBATE. OUR DISCUSSIONS WITH  
TRIBUNES CONFIRM THEIR PROFOUND DISSATISFACTION WITH  
GOVERNMENT POLICIES -- "TORY POLICIES CARRIED OUT BY  
LABOR GOVERNMENT."

4. GOVERNMENT, IN ADDITION TO POSSIBLE DEFLECTION OF  
LEFT-WINGERS, ALSO FACES VOCAL OPPOSITION FROM CONSERVA-  
TIVES, THOUGH IT IS STILL NOT CLEAR WHETHER TORIES WILL  
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PAGE 02 LONDON 01325 02 OF 02 271749Z

PUSH TO DEFEAT GOVERNMENT ON THIS ISSUE. TIMING OF DE-  
BATE WAS DICTATED BY BELIEF THAT PARLIAMENTARY SITUATION

WILL DETERIORATE DUE TO UNEMPLOYMENT BENEFITS STRUCTURE AND THAT DEBATE WILL DEFUSE ISSUE FOR A FEW MONTHS AT LEAST. GOVERNMENT HAS TABLED MOTION DESIGNED TO ELICIT MAXIMUM SUPPORT FROM BACKBENCHES WHICH, AMONG OTHER THINGS, NOTES REDUCED INFLATION RATE AND IMPROVED BALANCE OF PAYMENTS POSITION, EXPRESSES "DEEP CONCERN" AT RISING UNEMPLOYMENT AND PLEDGES GOVERNMENT TO "TAKE ALL POSSIBLE EFFECTIVE MEASURES TO REDUCE UNEMPLOYMENT SO AS TO ENSURE CONTINUED GROWTH WITH STABLE PRICES." TRIBUNE GROUP IS EXPECTED TO TABLE MOTION CALLING FOR CONTROLLED REFLATION, SELEATIVE IMPORT CONTROLS AND "SOCIALIST INDUSTRIAL STRATEGY."

5. COMMENT: IT IS UNLIKELY, THOUGH NOT IMPOSSIBLE, GOVERNMENT WILL LOSE JANUARY 29 VOTE. SHOULD VOTE BE LOST, WE UNDERSTAND GOVERNMENT WILL IMMEDIATELY TABLE CONFIDENCE MOTION WHICH WILL BRING DEFECTORS BACK TO FOLD AND PREVENT CRISIS. WE ARE INCLINED TO ACCEPT THESIS THAT STRUCTURE OF UNEMPLOYMENT BENEFITS WILL WORK AGAINST GOVERNMENT IN MONTHS TO COME AND BELIEVE THAT ITS TACTICS IN JOINING ISSUE AT THIS TIME ARE PRUDENT.

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## Message Attributes

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**Copy:** SINGLE  
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**Decapton Date:** 01 JAN 1960  
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**Disposition Approved on Date:**  
**Disposition Authority:** morefirh  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
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**TAGS:** PGOV, PINT, ELAB, UK  
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